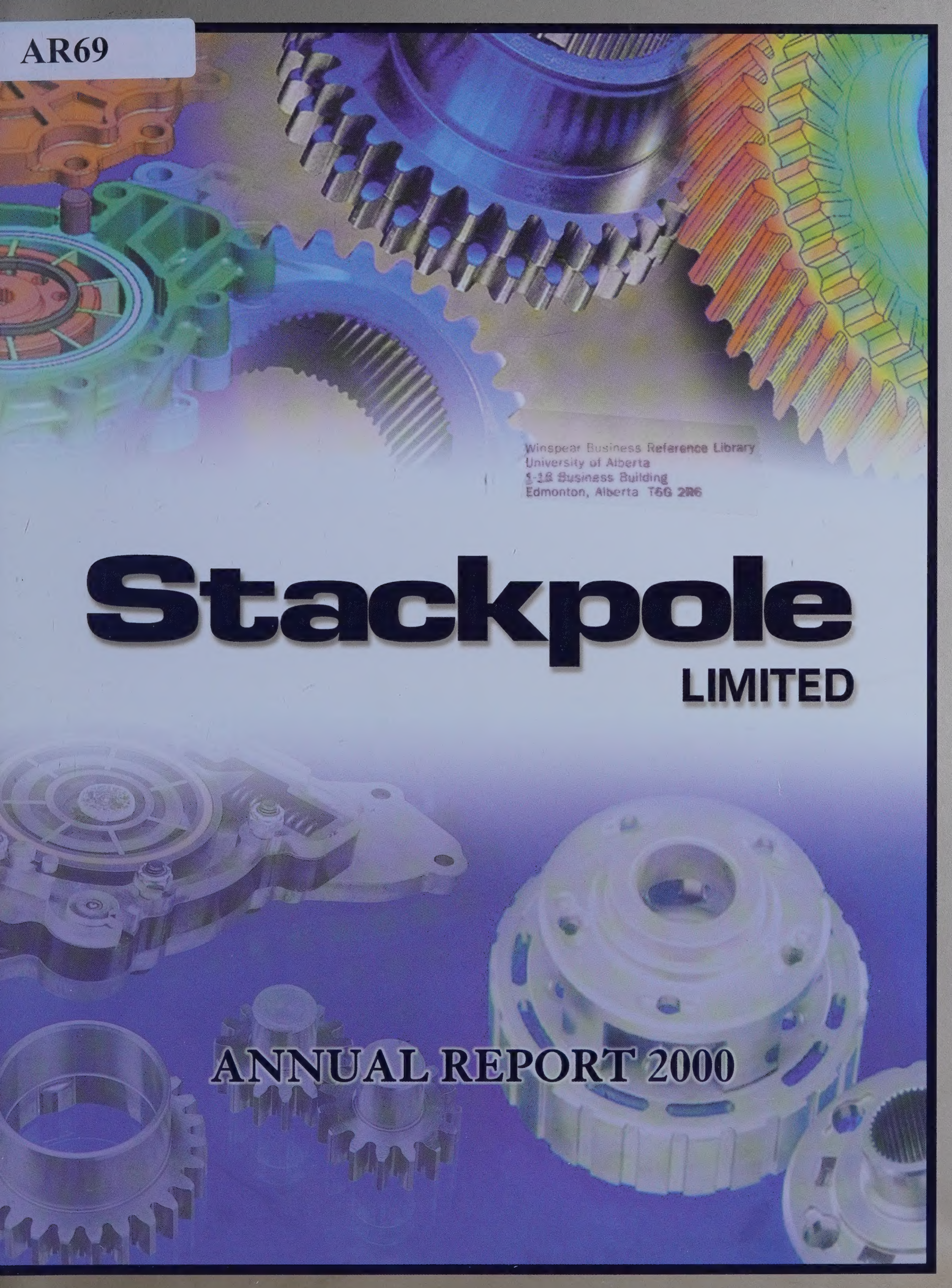


Stackpole
LIMITED

ANNUAL REPORT 2000

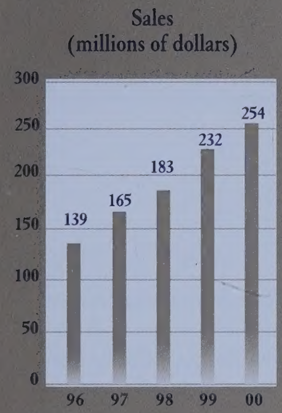
STACKPOLE LIMITED IS ONE OF THE WORLD'S leading manufacturers of highly engineered, technologically differentiated, automotive powertrain systems and components.

Stackpole has more than 1,500 highly skilled employees at five operating plants in Canada and the United Kingdom. Stackpole is a public company and its common shares are listed and traded on The Toronto Stock Exchange under the symbol SKD.

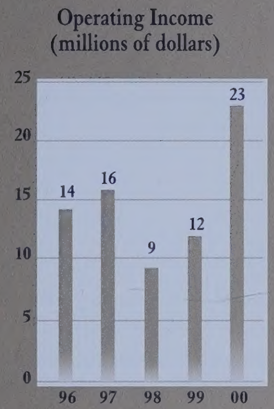
CONTENTS

Stackpole LIMITED

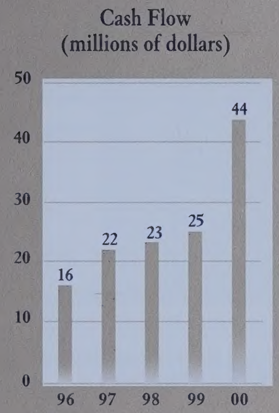
FINANCIAL HIGHLIGHTS



Sales have increased at an average annual compound rate of 15% over 5 years.



Operating Income has increased at an average annual compound rate of 11% over 5 years.



Cash Flow from Operations has increased at an average annual compound rate of 20% over 5 years.

(In thousands of dollars, except per share amounts)

INCOME	2000	% change	1999
Sales	$ 253,575	8.9	$ 232,943
Income before Interest, Taxes, Restructuring and Other Charges	23,255	101.0	11,567
Net Income (Loss)	14,452	–	(5,687)
Per Common Share	1.50	–	(0.59)
Cash Provided by Operating Activities	44,335	80.1	24,615
Capital Expenditures	13,801	(60.2)	34,670

FINANCIAL POSITION			
Total Assets	$ 204,526	(8.6)	$ 223,864
Total Debt	48,866	(38.5)	79,408
Shareholders' Equity	115,159	14.0	101,040
Net Debt to Total Capitalization	24.3%		40.0%

REPORT TO SHAREHOLDERS

Our many successes in 2000 have readied Stackpole to capitalize on the substantial growth opportunities that exist in the changing automotive powertrain market and to reward our investors, our customers and our employees.

Change creates opportunity

The $40 billion automotive powertrain industry is undergoing an historic transformation. Today, an estimated 70% of the value of engines and transmissions is produced in-house by the automakers. Each year more of the responsibility for design, engineering and manufacturing of complete modules is outsourced to component suppliers. This inevitable change in the make-up of the industry is creating unprecedented growth opportunities for those suppliers who possess the industry leading capability required by automotive customers. It is our belief that the suppliers with the expertise and competitive advantage in critical component production will emerge as the suppliers of highly engineered finished modules.

Stackpole has leveraged its market and technology leadership in powder metallurgy (PM) to become a leading supplier of key modules and components used in transmissions, engines and four-wheel drive transfer cases. These include oil pumps, planetary gear carriers, and high-strength powder metal products such as gears and synchronizer assemblies. These products represent a potential market of well over $2 billion for Stackpole in North America creating exceptional growth opportunities as our customers increasingly outsource these products. In addition to offering substantial growth prospects, modules will provide more value added content, are less capital intensive and afford greater opportunities to differentiate capability and to engineer cost savings.

Stackpole's leadership in powder metallurgy will itself be a significant growth driver for the Company. The "net shape" capability of powder metal production reduces component cost and provides greater design flexibility versus other metal forming processes. Stackpole's proprietary materials and processes have demonstrated cost and strength advantages versus conventional powder metallurgy. We believe that this unique capability represents a significant sustainable competitive advantage and provides a greater opportunity to convert components from other, less efficient, metal forming processes, thus expanding Stackpole's potential market.

Enduring Company-wide goals

To realize our full potential and our vision of being the Best Investment, the Best Supplier and the Best Employer, Stackpole is focusing on three enduring company-wide goals. These goals will enable Stackpole to maintain our market leadership and our competitive advantage.

- Create an organization and culture that enables and inspires people to excel.

- Maintain an unwavering commitment to the Stackpole Production System that defines how our People, Processes and Operating Practices work together using lean principles to continually reduce waste, reduce costs and achieve world-class quality.

- Continually advance our "full service" product capability and differentiated process technology in order to provide our customers with products that have performance and cost advantages and that will drive profitable growth for the Company.

Our many successes in 2000

During 2000 Stackpole achieved many notable accomplishments:

- We were awarded the "General Motors Supplier of the Year" for PM transmission parts and the DaimlerChrysler Gold award. These important awards demonstrate our customer's recognition of Stackpole's industry leading capability in the key areas of quality, service, technology and cost.

- We achieved record sales, earnings and cash flow and reduced our ratio of debt to capitalization to 24%.

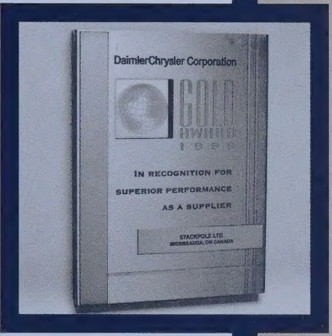
- We booked a number of new oil pump, carrier and high strength PM programs and are working with customers on an unprecedented number of development programs, which we expect to advance into production orders. These development programs affirm our leadership in these key markets.

- We introduced the "Stackpole Production System" and began to realize benefits in increased output and reduced cost. These achievements were most notable at the Automotive Gear Division where production was significantly increased without major capital additions.

- We continued to expand our "full service" capability and process technology particularly in the areas of planetary carrier design and engineering.

- In ongoing tests performed by our customers, transmission gears produced using Stackpole's proprietary technology have matched the performance of conventional machined steel gears and continued to validate the use of Stackpole's technology in high-strength gear applications.

- We continued to build a results-driven entrepreneurial culture as we added depth to our management and technical teams and staffed for anticipated growth.



Outlook

Vehicle sales began to decline in the fourth quarter of 2000 and lower industry production is expected to persist throughout 2001. Notwithstanding the lower volumes, we are looking forward to building on the momentum achieved in 2000 and are optimistic about 2001 and beyond. Lower volumes will affect our financial performance in the short term but earnings will recover as our facilities adjust to the lower production levels, as ongoing operational improvements and cost reduction efforts take effect, and as new business is launched.

Despite our record financial performance in 2000, uncertainty with regards to the automotive industry outlook depressed Stackpole's stock price along with other automotive parts suppliers. As this uncertainty subsides we are hopeful that our share price will begin to reflect the underlying value and earnings potential that exists in the Company.

We expect 2001 to be a defining year for the Company as we demonstrate tangible evidence of our significant growth potential and industry leading capability. We expect to book several new programs that will affirm our market leadership and growth prospects. We will continue to lower our production costs as the Stackpole Production System delivers benefits throughout the Company and we will advance our "full service" capability and process technology. Most importantly, we will continue to build an outstanding organization that is second to none in the industry.

In closing I'd like to thank our customers for their business and recognition, our employees for their endless commitment and enthusiasm, the other members of the Board of Directors for their valued support and guidance and our shareholders, for your ongoing investment and confidence.

Robert J. Lander
President & Chief Executive Officer

General Motors Supplier of the Year

Gears and High Strength Components

Description:

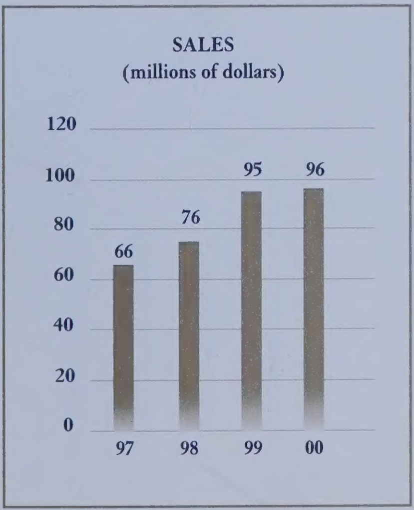
Utilizing patented powder metal alloys and processes, Stackpole produces high strength powder metal components such as transmission drive sprockets; balancer gears and clutch plates. Proprietary capability enables Stackpole to provide customers with products that have improved durability, design advantages and steel equivalent performance while maintaining PM's low cost advantage.

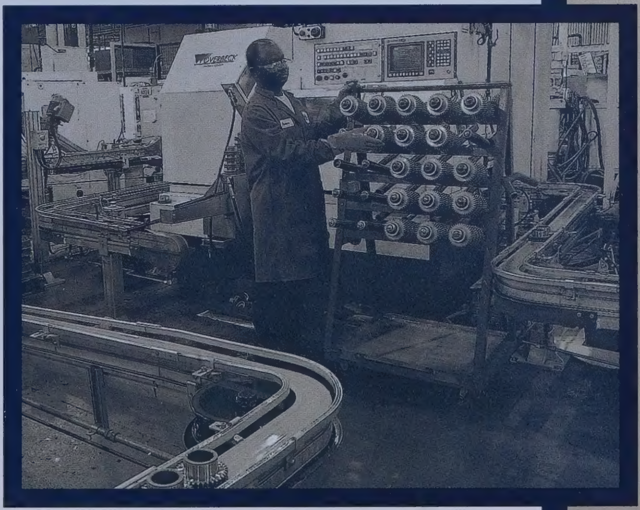
Differentiating Technology:

- Patented powder metal alloys are formulated specifically for the application, blended in-house and sintered in special high temperature furnaces to provide higher strength without premium cost.
- Patented Split-Die Forming enables complex part geometry such as phased gears, which in turn provides design flexibility and added performance features.
- Patented PressDens™
  Forming increases core density for improved durability and fatigue strength.
- Patented SelectDens™
  Selective densification process enables Stackpole to achieve steel equivalent properties for highly loaded gear and bearing journal applications.
- Complete heat treatment and precision finishing capability includes the world's largest installation of vacuum carburizing furnaces.

Market Highlights:

- Successfully completed the development of a first-of-its-kind engine-timing sprocket utilizing Stackpole's split-die technology.
- In A-B comparison testing completed by an OEM customer, Stackpole's manual transmission gears outperformed the current machined steel product.
- Development programs include transmission gear programs for both European and North American customers.
- Awarded new transfer case sprocket and clutch component programs for start of production in 2002 and 2003 with annual revenue of $8 million.
- Market potential of target products is estimated to exceed $1.3 billion per year.





Oil Pump Systems & Components

Description:

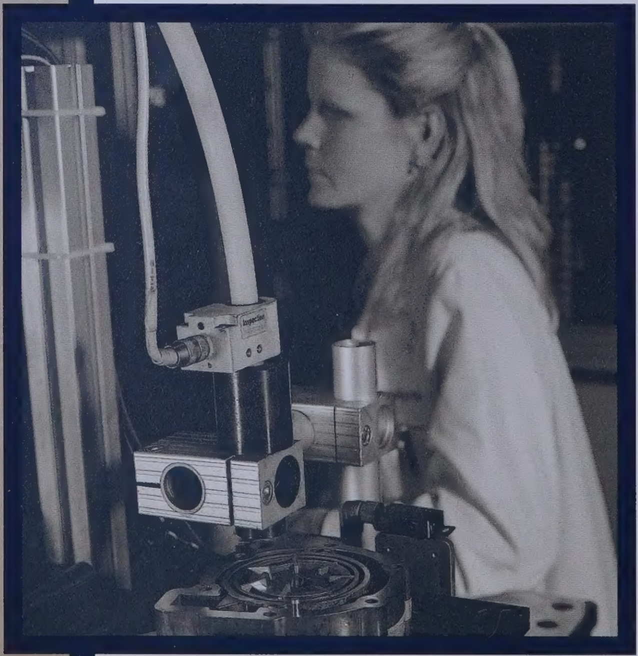
Stackpole's Engineered Products and Pump Components Divisions team up to provide "full service" design, development and manufacturing of oil pump systems and components for transmission and engine applications.

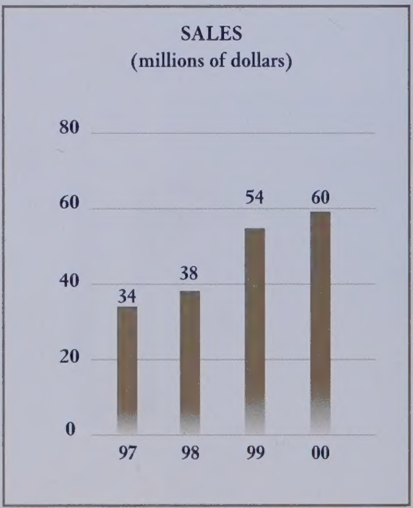
Differentiating Technology:

- Recognized market and technology leadership stems from complete design, development, testing and manufacturing capability that includes CAD design, acoustic and flow performance testing, emphasis on Design For Manufacturability and proven manufacturing processes.
- Pump designs leverage core powder metal capability while designing for the optimum materials and processes.
- Proprietary pump designs and manufacturing technology enhance oil flow management to improve fuel efficiency and reduce engine and transmission noise critical in today's high performance powertrains.
- Innovations include multi-stage gerotor pump, energy saving variable displacement vane pump, dual-cycloidal flow management, constant acceleration porting and compact low-noise CVT pump.

Market Highlights:

- Awarded two new oil pump system contracts in 2000.
- New booked oil pump system programs that will commence production in 2001 through 2003 will provide annual revenue exceeding $36 million per year at full production.
- Significant development programs currently underway are expected to provide further growth as OEMs continue to outsource oil pumps to reduce cost and obtain new technology.
- Market potential for oil pump systems in North America exceeds $1 billion per year.





Planetary Gear Carrier Systems

Description:

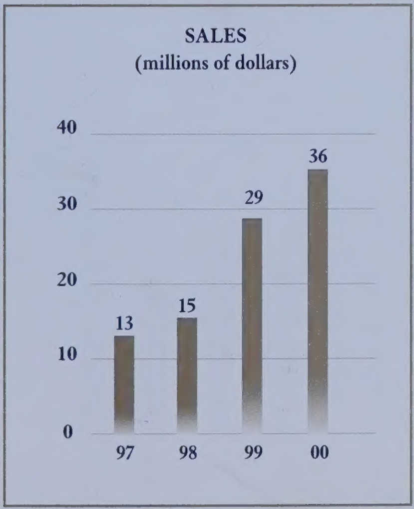
Planetary gear carrier systems are used in automatic transmissions, four-wheel drive transfer cases and CVT's to convert input torque, speed and direction to the desired output.

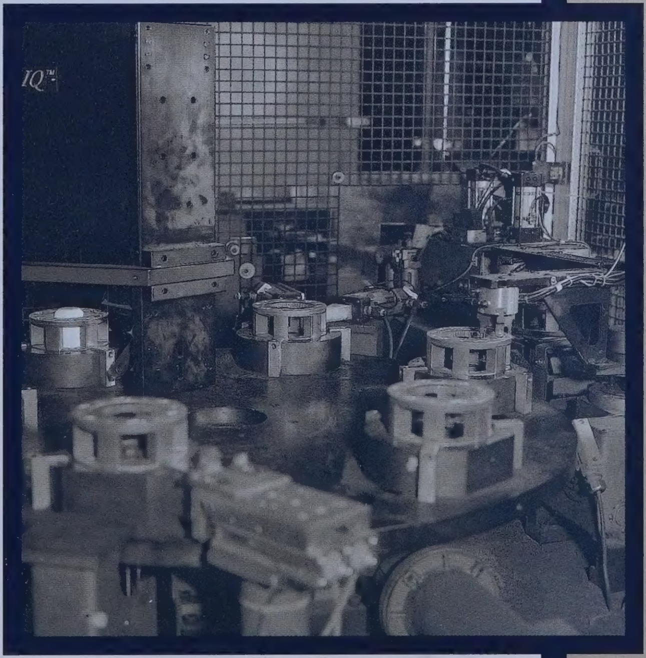
Differentiating Technology:

- Compared to conventional cast carriers, Stackpole's powder metal carriers improve strength, eliminate costly machining operations and reduce weight.
- Stackpole's Sinter Braze process provides improved high torque durability and increased pinion gear life that support longer powertrain life at lower cost.
- With state-of-the-art synchronous flow manufacturing, Stackpole's facility in Stratford Ontario is a low-cost high-quality producer of carriers.
- Stratford has full service supplier capability with design, development and manufacturing that includes machining and assembly.

Market Highlights:

- Currently established as the largest producer of powder metal planetary gear carriers in the world.
- Currently developing and prototyping programs for four different customers with significant future volume potential.
- The vast majority of carrier systems are currently produced by the OEMs in-house from castings. Powder metal's ability to outperform casting and facilitate part consolidation will lead to continued outsourcing by the OEMs and significant growth potential for Stackpole.
- New booked planetary gear carrier programs that will commence production in 2001 will provide annual revenue exceeding $6 million per year at full production.
- Market potential for PM planetary gear carrier systems in North America is estimated to be $1 billion per year. This will increase with the trend to six-speed automatic transmissions.





PROFILE OF PRODUCTS

Synchronizer Systems

Description:

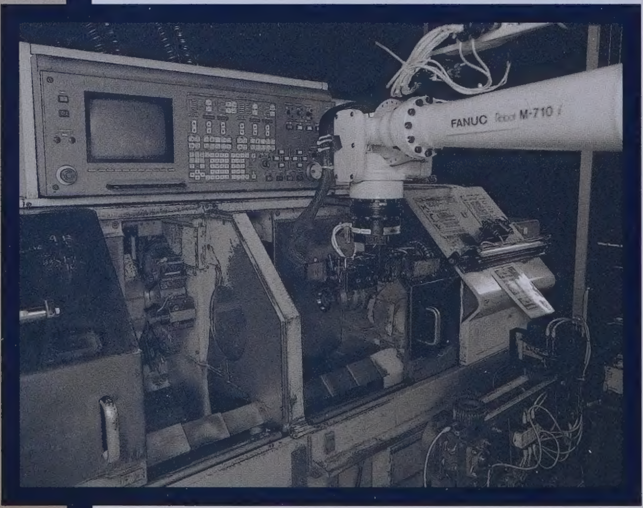
By combining Stackpole's advanced powder metal technology for synchronizer hubs and FormFlo Limited's proprietary cold rolling process for synchronizer sleeves, we have established a full service capability for synchronizer components and assemblies used in the shifting of manual transmissions. FormFlo, Stackpole's U.K. subsidiary, is the largest non-captive producer of synchronizer sleeves while Stackpole has the leading market share of synchronizer assemblies in North America.

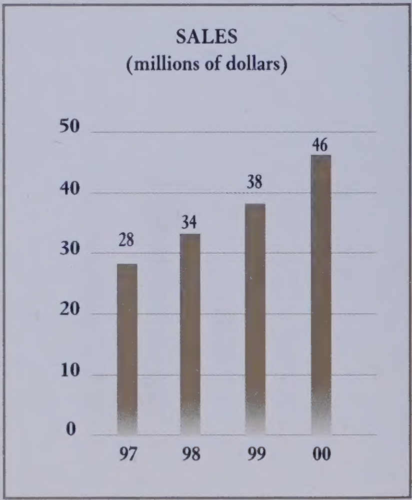
Differentiating Technology:

- Design, testing, component manufacturing and automated assembly capability for synchronizer sleeves, hubs, cones and rings.
- FormFlo's proprietary advanced cold rolling offers higher dimensional accuracy and superior surface finish which provides smoother shifting and less shifter fork wear. Lower cost is possible by eliminating machining, reducing material waste and rapid processing.
- Stackpole's proprietary metal alloys provide a high strength low-cost solution ideal for powder metal synchronizer hubs.

Market Highlights:

- Currently established as the largest producer of synchronizer sleeves in the world. Working with customers on a number of new synchronizer sleeve programs including two high volume new OEM transmissions, as OEMs increasingly choose to outsource synchronizer components and complete assemblies.
- The market for synchronizer sleeves is approximately $500 million per year.





RESULTS OF OPERATIONS

Sales

Stackpole's sales in 2000 increased $20,632,000 to $253,575,000, a 9% increase from the sales of $232,943,000 in 1999. With North American automotive production volumes virtually unchanged from the prior year, the increase in sales was entirely due to increased content in vehicles for Stackpole's products as a result of new program launches in 1998 and 1999 that realized higher volumes in 2000. The Company commenced production in mid-1999 on a new production line at the expanded Stratford location, to produce planetary gear carriers. In 2000, the impact of full years' sales from the Stratford carrier expansion was an increase of $8 million over the prior year. In addition, the continued ramp up of production on transmission sprockets for General Motors and various DaimlerChrysler oil pump and transmission clutch plate programs increased sales by $18 million. Finally, 2000 sales were reduced compared to 1999 by $10 million as a result of the completion of production in December 1999 of a transmission clutch plate program for General Motors.

In 2000, 80% of the Company's sales from its Canadian operations, representing $187,076,000, were exported to the United States and Mexico compared to 79% or $169,098,000 in 1999. Approximately fifty percent of 2000 sales were denominated in U.S. dollars. Stackpole manages its U.S. currency exposure largely through a structured hedging program and through the purchase of some materials and components denominated in U.S. dollars. The percentage of U.S.$ denominated sales decreased from approximately 75% in 1999 as a result of the decision by a major customer to convert its payments for Stackpole products to Canadian dollars. The Company's hedging program can extend up to five calendar years with decreasing maximum net exposure in future years. At December 31, the Company had in place forward foreign exchange contracts to sell U.S.$133,000,000 through 2004.

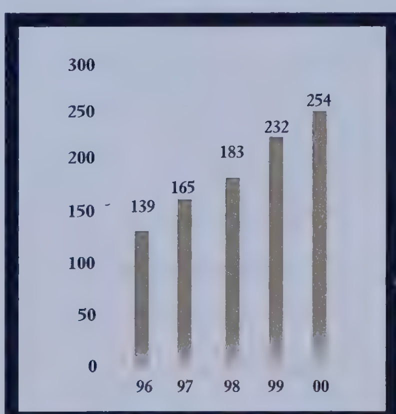
Income (Loss) Before Interest and Taxes

In 2000, income before interest and taxes was $26,789,000 compared to a loss of $163,000 in 1999. Before the recovery of (provision for) restructuring and other charges, which is discussed below, the operating income before interest and taxes increased by $11,688,000 or 101% to $23,255,000 from $11,567,000 in 1999. The increase was the result of two factors. First, the higher sales associated with the full year of production from the new carrier line at the expanded Stratford facility and the increased volume in the oil pumps and pump components shipped from the Engineered Products Division.

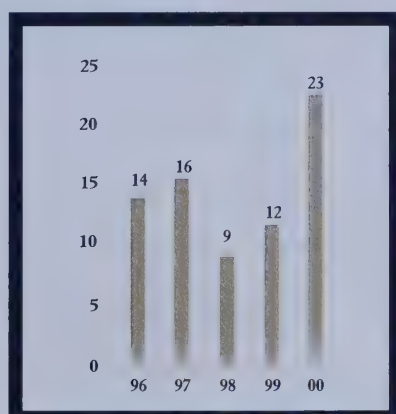
Second, higher gross margins were achieved as a result of reduced overhead costs following the completion of the restructuring plan initiated in December 1999 and improvements in operational productivity principally at the Automotive Gear Division. In 1999, the Automotive Gear Division experienced significant premium production costs including unplanned freight, scrap, and excessive labour costs as it completed the ramp up on production of the General Motors 4T40 and 4T65 transmission sprocket programs. In 2000, improved capacity and production efficiency enabled the division to reduce premium costs as the year progressed and achieve a return to profitability.

The Company maintains its strong commitment to research and development as a means of competing through differentiated products and proprietary processes. In 2000, gross expenditures amounted to $9,026,000 or 3.6% of sales compared to $8,224,000 or 3.5% in 1999. Net research and development expenditures of $7,727,000 in 2000 and $6,540,000 in 1999 are shown net of government grants of $1,299,000 and $1,684,000 respectively. The principal component of the government grants is investment tax credits for scientific research and experimental development. While the Company claims tax credits based on management's interpretation of the applicable legislation, these claims are subject to audit by federal and provincial jurisdictions. The Company has also entered into a partnership agreement with the Government of Canada that will see the Company receive up to $1 million over five years to help fund specific research and development. If the technology developed from the research is commercially successful, the Government will receive a 2% royalty on gross sales, to a maximum of the amount advanced. At December 31, 2000, the Company has claimed $973,000 under this program. Any future royalties payable will be accounted for as an expense against the related sales in the period in which they occur.

SALES
(millions of dollars)



Operating Income
(millions of dollars)



Recovery of (Provision for) Restructuring and Other Charges

During 2000, the Company recorded a recovery of $3,534,000 compared with a charge of $11,730,000 in 1999, which is reflected in the statement of operations as "Recovery of (Provision for) Restructuring and Other Charges". The 1999 restructuring charges included a $4,996,000 provision for the loss on notes receivable. In June 1997, the Company sold the net assets of its Stackpole Ltd. (U.S.A.) subsidiary for cash, assumption of liabilities, and notes receivable in the amount of U.S.$3.9 million. In light of the financial performance of the purchaser, management had determined that repayment of the notes receivable was unlikely and the notes were thus fully provided for. In August 2000, the purchaser, with the support of a U.S. government loan guarantee, effected a refinancing with the result that the Company received US$ 2,000,000 cash, preference shares, and warrants in final settlement of the notes receivable and thus recorded a recovery of $3,029,000.

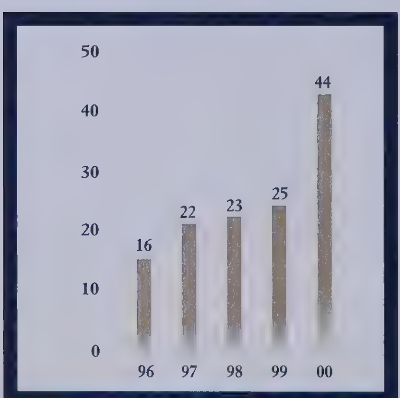
The 1999 restructuring charges also included a $5,100,000 write down of capital assets associated with the Company's Corporate departments and Automotive Gear Division to reflect impairment in value and a $1,634,000 provision for severance costs relating to personnel reductions connected with planned operational improvements and the reorganization of the Corporate departments. During 2000, the Company recovered $505,000 of the provision for severance as a result of personnel attrition that reduced the requirement for severances to complete the restructuring plan.

The effect of the recovery of (provision for) restructuring and other charges was an increase in 2000 earnings per share of $0.34 compared with the provision that reduced 1999 earnings per share by $0.98.

Interest Expense

The Company's interest expense increased in 2000 to $5,634,000 compared to $5,443,000 in 1999. Lower interest costs from reduced average borrowings outstanding in 2000 versus 1999 were offset by higher average interest rates in effect during the year. The average interest rate incurred on Stackpole's bank debt was approximately 8% in 2000 versus approximately 7% in 1999. The increase in average interest rate was due to increases in market interest rates that impacted the Company's floating rate debt as well as the increased interest rate spread attached to the new Canadian credit facilities commencing in July 1999.

Cash Flow from Operating Activities
(millions of dollars)



Net Income (Loss)

The net income of $14,452,000 in 2000 compares with a loss of $5,687,000 in 1999. The improvement in net income results from the improved operating results discussed above coupled with the impact of the recovery of (provision for) restructuring and other charges on both 2000 and 1999 results. In 2000, the Company recognized an income tax expense of $6,703,000 compared with $81,000 in 1999. The tax provision for 2000 as a percentage of income before tax at 31.7% has been reduced by the inclusion in income of the $3,029,000 recovery of the loss on notes receivable. As the Company did not recognize the tax benefit of the potential capital loss associated with the write down of the notes receivable, the subsequent recovery does not create a tax expense. On a per share basis, the net income for 2000 of $1.50 compares to the loss per share of $0.59 in 1999. The average number of shares outstanding increased in 2000 to 9,604,497 from 9,584,795 due to the exercise of stock options.

LIQUIDITY AND FINANCIAL RESOURCES

At December 31, 2000 the Company had cash on hand of $11,945,000 and had unused credit facilities of $40,664,000. In July 1999 the Company refinanced its Canadian based long-term debt. The facility put in place and held by a group of three Canadian financial institutions consists of $65,000,000 of term debt and a revolving credit of $25,000,000. In December 2000, the Company made a temporary repayment under the term facility of $15,000,000. The repaid amount may be redrawn at any time on or before July 5, 2001. Of the outstanding term debt, $23,030,000 is fixed rate with $13,500,000 fixed through the use of interest rate swaps. The remaining $25,836,000 is at variable rates. The debt is priced on a grid that varies with the ratio of the Company's earnings before interest, taxes, depreciation and amortization, to total indebtedness. As part of the refinancing package all the Company's long-term debt has been secured by a debenture and a fixed and floating charge over all of the Company's assets.

In 2000, Stackpole generated a record $44,335,000 in cash from operating activities, an increase of 80% from $24,615,000 in the prior year as a result of the significant increase in operating results and higher depreciation and amortization charges.

Capital expenditures of $13,801,000 in 2000 were greatly reduced from $34,670,000 in 1999 and were entirely funded by the cash provided by operations. In 2000, capital expenditures were primarily directed at providing additional capacity at Engineered Products Division for new

oil pump programs that will commence in 2001 and 2002 as well as productivity improvement programs at each of the Company's facilities. The 1999 capital expenditures had included additional manufacturing equipment for the completion of the plant expansion at the Stratford facility, additional equipment for the growth in the Pump Components Division and additional capital to increase sprocket capacity at the Automotive Gear Division.

During the year the Company made the required repayment of U.S. $3,520,000 on its senior notes and elected to prepay the remaining balance of U.S. $3,520,000. Scheduled debt repayments for 2001 are approximately $1,175,000 and will be financed from cash provided by operations. Capital spending for new products and existing business is expected to approximate $25,000,000 in 2001. These expenditures relate primarily to additional capacity to produce oil pumps and pump components for DaimlerChrysler and General Motors. This increased capacity is required to meet the continued production ramp up of existing programs as well as the initial capital for new products with start-up in 2002 and 2003.

The Company expects to finance the capital-spending program entirely from cash generated from operations and from the existing lines of credit.

2001 OUTLOOK

Stackpole benefited greatly from the very strong North American automotive industry production volumes particularly in the first half of 2000. These production volumes coupled with the results of the Company's efforts to improve production efficiency resulted in the record operating results generated in 2000. Stackpole's sales growth in 2000 was due to increased volumes of new products introduced by the Company in the period 1998 to 1999. In 2001, the Company's growth from new programs will primarily result from the final ramp up on certain transmission clutch plate, oil pump and pump component programs for DaimlerChrysler. These programs are expected to provide a further $23 million in sales on an annual basis once full production volumes are achieved in the second half of 2001.

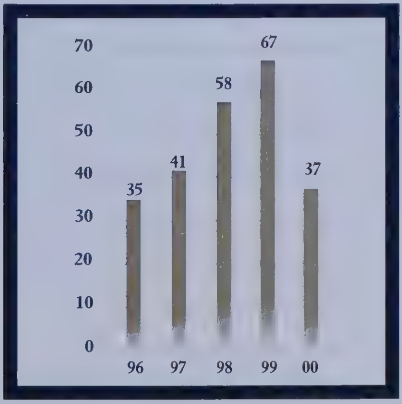
Of potentially greater impact in 2001 will be the effect of lower North American automotive industry production volumes. In the first quarter of 2001, announced reductions in production by Stackpole's two major customers, General Motors and DaimlerChrysler will reduce sales by approximately 25% from 2000. This lower level of sales could continue for the remainder of 2001 if automotive market conditions continue to be depressed. Despite the Company's expectation of continued improvement in operational efficiency, the sales reductions resulting from the expected market downturn will reduce gross margins and operating results. In addition, the Company derives a significant percentage of its sales from the supply of a number of components for two front wheel drive transmissions for General Motors and for light truck transmission applications at DaimlerChrysler. Lower customer demand for these products would adversely impact operating results.

Beyond 2001, the Company's continued investments in the development of high strength powder metal technology, oil pump systems and planetary gear carriers are expected to generate new business opportunities. In this regard, the Company is working on development contracts for several customers. New high strength powder metal applications in development include manual transmission gears for European and North American customers. Although preliminary product design and testing results have been encouraging, there can be no certainty that these development programs will lead to a production contract.

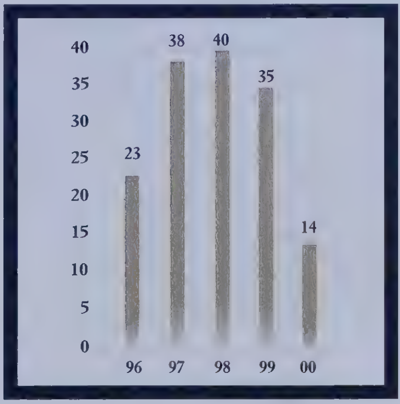
Stackpole continues to face significant challenges and risks as it adjusts operations to cope with lower industry volumes, responds to ongoing customer pressures to reduce prices, and pursues operational improvements to enhance competitiveness and build a foundation for future growth.

The Company's strengthened financial position coupled with continued focus to extend the operational performance gains made in 2000 and a strategy to further develop its capability and competitiveness, will enable Stackpole to meet these challenges.

Debt (net of Cash)
(millions of dollars)



Capital Expenditures
(millions of dollars)



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Stackpole Limited have been prepared by management who is responsible for their integrity and objectivity. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles, and, where appropriate, reflect estimates based upon judgments of management. All financial information presented elsewhere in the Annual Report has been prepared by management to ensure that it is consistent with that contained in the consolidated financial statements.

Stackpole Limited's policy is to maintain systems of accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors, through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is comprised solely of outside directors, meets regularly with financial management and external auditors to review accounting, auditing and financial matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited by Deloitte & Touche LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The independent auditors have full and unrestricted access to the Audit Committee.

Gary S. Love
Vice President, Finance,
Chief Financial Officer,
Secretary and Treasurer

Gary R. LeBlanc
Corporate Controller

Oakville, Ontario
February 23, 2001

AUDITORS' REPORT

To the Shareholders of Stackpole Limited

We have audited the consolidated balance sheets of Stackpole Limited as at December 31, 2000 and 1999 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Toronto, Ontario
February 23, 2001

CONSOLIDATED BALANCE SHEETS

December 31, 2000 and 1999 (thousands of dollars)

	2000	1999
ASSETS		
CURRENT		
Cash and cash equivalents	$ 11,945	$ 11,968
Accounts receivable	21,342	29,639
Inventories	15,197	17,516
Income taxes recoverable	1,687	–
Other current assets	1,721	1,850
	51,892	60,973
PROPERTY, PLANT AND EQUIPMENT (Note 2)	150,950	158,976
DEFERRED CHARGES (Note 3)	1,684	3,915
	$ 204,526	$ 223,864
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 27,686	$ 37,410
Current portion of long-term debt (Note 4)	1,175	5,552
	28,861	42,962
LONG-TERM DEBT (Note 4)	47,691	73,856
FUTURE INCOME TAX LIABILITIES (Note 7)	12,815	6,006
	89,367	122,824
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	32,447	32,136
Retained earnings	81,370	66,918
Foreign currency translation adjustments	1,342	1,986
	115,159	101,040
	$ 204,526	$ 223,864

APPROVED BY THE BOARD:

Richard W. LeVan
Director

David G. Vice
Director

CONSOLIDATED STATEMENTS OF OPERATIONS & RETAINED EARNINGS

Years ended December 31, 2000 and 1999 (thousands of dollars, except per share amounts)

	2000	1999
Sales	$ 253,575	$ 232,943
Manufacturing, selling, general and administrative expenses	222,593	214,836
Recovery of (provision for) restructuring and other charges (Note 6)	3,534	(11,730)
Research and development expenses, net (Note 1)	7,727	6,540
Income (loss) before interest and taxes	26,789	(163)
Interest expense on long-term debt	5,634	5,443
Income (loss) before income taxes	21,155	(5,606)
Income taxes (Note 7)	6,703	81
Net income (loss)	14,452	(5,687)
Retained earnings, beginning of year	66,918	72,605
Retained earnings, end of year	$ 81,370	$ 66,918
Earnings (loss) per share: (Note 5)		
Basic	$ 1.50	$ (0.59)
Diluted	$ 1.50	$ (0.59)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2000 and 1999 (thousands of dollars)

	2000	1999
OPERATING ACTIVITIES		
Net income (loss)	$ 14,452	$ (5,687)
Non-cash items:		
Depreciation and amortization	23,711	21,759
Future income taxes	6,809	(1,861)
Write-down of assets and notes receivable (Note 6)	–	10,096
Other	29	(57)
Changes in non-cash components of working capital	(666)	365
Cash provided by operating activities	44,335	24,615
FINANCING ACTIVITIES		
Proceeds from long-term debt	–	26,388
Repayments of long-term debt and notes payable	(30,687)	(5,163)
Issuance of common shares for cash	311	307
Cash (used in) provided by financing activities	(30,376)	21,532
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(13,801)	(34,670)
Proceeds from sale of machinery and equipment	10	399
Additions to deferred charges	(191)	(753)
Cash used in investing activities	(13,982)	(35,024)
(Decrease) increase in cash and cash equivalents	(23)	11,123
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,968	845
CASH AND CASH EQUIVALENTS , END OF YEAR	$ 11,945	$ 11,968
Cash and cash equivalents is made up of:		
Cash	$ 5,586	$ 1,027
Short-term investments	6,359	10,941
	$ 11,945	$ 11,968
Supplementary Information:		
Income taxes paid	$ 1,140	$ 760
Interest paid	$ 5,599	$ 5,600

DECEMBER 31, 2000 AND 1999 (columnar amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities and operating results of all subsidiary companies from the dates of acquisition. All significant intercompany balances have been eliminated on consolidation.

USE OF ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INVENTORIES

Inventories are valued at the lower of average cost and net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less any related investment tax credits. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is calculated principally on a straight-line basis with estimated useful lives for buildings of 40 years and for machinery and equipment from 3 to 10 years. For equipment purchased for major product introductions, the Company uses the units-of-production method of depreciation.

DEFERRED CHARGES

Deferred charges include certain development costs incurred on major new products which are deferred and amortized on a units-of-production basis beginning in the first year of commercial production. They also include debt issuance costs and unamortized exchange gains and losses on long-term debt denominated in foreign currency, which are amortized on a weighted average method over the terms of the related debt, and patents, which are amortized on a straight-line basis over a period of 10 years.

FOREIGN EXCHANGE

Assets and liabilities of foreign subsidiaries are translated using the exchange rate in effect at the year end and revenues and expenses are translated at the average rate during the year. Foreign currency translation adjustments are deferred and included as a separate component of shareholders' equity.

Foreign currency transactions are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date.

Foreign exchange gains and losses on transactions are reflected in income except for gains and losses on forward currency exchange contracts used to hedge future sales denominated in foreign currency. Gains or losses on these contracts are recorded in sales as the related hedged sales occur.

EMPLOYEE FUTURE BENEFITS

Effective January 1, 2000, the Company adopted new recommendations issued by The Canadian Institute of Chartered Accountants for the recognition, measurement and disclosure of the cost of future employee benefits. Under this standard, a liability and an expense is recognized for all employee future benefits in the reporting period in which an employee has provided the service that gives rise to the benefits. This change has been adopted on a prospective basis.

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Company has adopted the following policies:

> The cost of pensions earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance for funded plans, salary escalation and retirement ages of employees.
>
> For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
>
> The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 22 years.

INCOME TAXES

Effective January 1, 2000, the Company adopted new recommendations issued by The Canadian Institute of Chartered Accountants relating to the accounting for income taxes. This standard requires the use of the asset and liability method for computing future income taxes. Under this method, which has been applied retroactively, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in net earnings in the period that includes the enactment date. Material changes in tax rates could result in volatility in net earnings in the periods affected. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized. Previously, the Company followed the deferral method of accounting for income taxes, which was based on differences in the timing of reporting income and expenses in financial statements and tax returns.

The new recommendations, which will not affect the Company's cash flows or liquidity, have had no impact on current or prior years' earnings.

DECEMBER 31, 2000 AND 1999 (columnar amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

RESEARCH AND DEVELOPMENT

Research and development expenditures are expensed as incurred, are net of government grants and tax credits of $1,299,000 and $1,684,000 in 2000 and 1999, respectively. The Company claims tax credits based on management's interpretation of the applicable federal and provincial tax legislation. These claims are subject to review by the applicable tax authorities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash balances and short-term investments in bankers' acceptances and short-term commercial paper with maturities of ninety days or less. Short-term investments are carried at cost, which approximates market value.

STOCK-BASED COMPENSATION PLANS

The Company has two stock-based compensation plans, which are described in Note 8. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

EARNINGS PER SHARE

Effective January 1, 2000, the Company adopted, on a retroactive basis, new recommendations issued by The Canadian Institute of Chartered Accountants dealing with the calculation of earnings per share. This standard requires the use of the weighted average number of shares outstanding during the year to calculate the earnings per share. The diluted earnings per share calculation increases the number of shares used in the calculation to give effect to the dilutive impact of options outstanding. The increase in the number of shares used in the diluted earnings per share calculation is determined using the treasury stock method.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	2000		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,408	$ -	$ 2,408
Buildings and improvements	17,377	4,909	12,468
Machinery and equipment	224,121	93,973	130,148
Construction in progress	5,926	-	5,926
	$ 249,832	$ 98,882	$ 150,950

	1999		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,408	$ -	$ 2,408
Buildings and improvements	16,893	4,309	12,584
Machinery and equipment	211,508	74,086	137,422
Construction in progress	6,562	-	6,562
	$ 237,371	$ 78,395	$ 158,976

3. DEFERRED CHARGES

Deferred charges consist of the following:

	2000	1999
Development costs	$ 4,459	$ 7,756
Plant redesign costs	-	2,160
Exchange loss on foreign currency debt	-	2,498
Debt issuance costs	567	808
Patents	1,488	1,311
	6,514	14,533
Accumulated amortization	4,830	10,618
	$ 1,684	$ 3,915

DECEMBER 31, 2000 AND 1999 (columnar amounts in thousands of dollars)

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2000	1999
Variable interest term debt	$ 39,336	$ 54,814
Fixed interest term debt at 7.40%, due June 30, 2004 repayable in 47 blended monthly payments of $154,000 starting August 1, 2000 and a balloon payment of $5,000,000 on June 30, 2004	9,530	10,000
Revolving credit facility of $25,000,000 due June 30, 2002	-	4,430
Senior notes at 7.33%, maturing on April 30, 2001 (1999 -U.S.$7,040,000)	-	10,164
	48,866	79,408
Amounts due within one year	1,175	5,552
	$ 47,691	$ 73,856

The variable interest term debt is a $55,000,000 facility for which the outstanding balance is repayable as follows: $12,291,000 on June 30, 2003, and $27,045,000 on June 30, 2004. In December 2000, the Company made a temporary repayment under the facility of $15,000,000. The repaid amount may be redrawn at any time on or before July 5, 2001.

The variable interest term debt and the revolving credit facility have interest calculated on a grid scale based on the Company's performance. At December 31, 2000, the interest rate on the variable interest term debt was bankers' acceptance rate plus two per cent, and on the revolving credit facility was bankers' acceptance rate plus one and a half per cent. At December 31, 2000 and 1999, the interest on a portion of the Company's variable interest term debt had been fixed under interest rate swaps (Note 11).

The variable interest term debt, fixed interest term debt and revolving credit facility are secured by a debenture and by a fixed and floating charge on all of the Company's assets. In addition, the Company is required to maintain certain covenants.

On August 25, 2000, the Company prepaid the final payment of U.S. $3,520,000 on senior notes originally scheduled to be paid on April 30, 2001.

The annual amounts of principal payments required to meet long-term debt obligations are as follows:

2001	$ 1,175
2002	1,271
2003	13,658
2004	32,762
	$ 48,866

5. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares and an unlimited number of First and Second Preference Shares, issuable in series. To date, the Company has not issued any preference shares.

A reconciliation of the issued common shares of the Company follows:

	2000		1999	
	Number of Shares	Stated Value	Number of Shares	Stated Value
Balance at beginning of year	9,595,251	$ 32,136	9,563,451	$ 31,829
Shares issued for cash from 1993				
Stock Option Plan and Key Employee Share Trust (Note 8)	32,400	311	31,800	307
Balance at end of year	9,627,651	$ 32,447	9,595,251	$ 32,136

A reconciliation of the number of shares used in the earnings per share calculation follows:

	2000	1999
	Number of Shares	Number of Shares
Average number of shares per basic earnings (loss) per share calculation	9,604,497	9,584,795
Effect of dilutive options outstanding	10,218	-
Average number of shares per diluted earnings (loss) per share calculation	9,614,715	9,584,795

No shares were included in the calculation of 1999 diluted earnings per share due to the loss in the year.

DECEMBER 31, 2000 AND 1999 (columnar amounts in thousands of dollars)

6. RECOVERY OF (PROVISION FOR) RESTRUCTURING AND OTHER CHARGES

	2000	1999
Recovery of (provision for) loss on notes receivable	$ 3,029	$ (4,996)
Recovery of (provision for) severance costs	505	(1,634)
Write-down of assets to reflect impairment in value	–	(5,100)
	$ 3,534	$ (11,730)

At December 31, 1999, following its review of the entity which issued certain notes receivable upon the acquisition of the assets of the Company's former operations in Brownsville, Tennessee, management determined that recovery of the amounts outstanding was unlikely. Accordingly, the Company provided $4,996,000 representing the balance outstanding of $5,652,000, less the associated amount of $656,000 relating to the currency translation account.

In August 2000, the Company received U.S. $2,000,000 cash, preference shares, and warrants in settlement of the notes receivable that had been provided for in 1999. The net proceeds received (Canadian $3,029,000) have been recorded as income in 2000. As no tax benefit was recorded when the notes were provided for in 1999, there is no tax expense relating to this recovery.

At December 31, 1999, the charge also included a $1,634,000 provision for severance relating to personnel reductions in the Company's operating divisions and Corporate departments. These reductions reflected planned improvements to the Company's operations as well as the reorganization of Corporate departments. During 2000, the Company recovered $505,000 of the provision for severance as a result of personnel attrition that reduced the requirement for severances to complete the reorganization plan.

At December 31, 2000, $276,000 (1999- $1,588,000) relating to the provision for severance costs was unpaid and included in accounts payable and accrued liabilities.

At December 31, 1999, the Company recorded a $5,100,000 write down of capital assets, for which it had no planned future use, associated with the Corporate research and development and information systems departments and the Automotive Gear Division.

7. INCOME TAXES

The provision for income taxes consists of the following:

	2000	1999
Current	$ (106)	$ 1,942
Future	6,809	(1,861)
	$ 6,703	$ 81

Significant components of future income taxes are as follows:

	2000	1999
Future income tax liabilities:		
Property, plant and equipment	$ 19,464	$ 17,112
Other	1,248	746
	20,712	17,858
Less future income tax assets		
Investment tax credits	5,899	5,732
Corporate minimum tax paid	1,401	1,253
Losses	495	3,939
Other	102	928
	7,897	11,852
	$ 12,815	$ 6,006

The Company's effective income tax rates have been determined as follows:

	2000	1999
Canadian statutory income tax rate	44.0 %	(44.6)%
Recovery of (provision for) notes receivable not recognized for tax purposes	(6.2)	39.8
Manufacturing and processing deduction	(8.6)	1.6
Large corporations tax	1.6	6.6
Other	0.9	(2.0)
	31.7%	1.4%

DECEMBER 31, 2000 AND 1999 (columnar amounts in thousands of dollars)

8. STOCK-BASED COMPENSATION PLANS

At December 31, 2000, the Company had two stock-based compensation plans, which are described below.

Fixed Stock Option Plan

Under the 1993 Stock Option Plan, the Company may grant options to its directors, officers and certain key employees of the Company and its affiliates for up to 1,393,869 shares of common stock. Under the plan the exercise price of each option equals the market price of the Company's stock on the date of grant. Options under the plan vest at 20% per annum, in arrears on a cumulative basis, and expire no later than ten years from the date the options are granted. Options are automatically cancelled, after a specified amount of time, when the optionee leaves the employment of the Company or ceases to qualify under the Option Plan. If the Company's parent, or its controlling shareholders, ceases to own at least 35% of the Company, all issued and outstanding options will become fully vested and immediately exercisable.

A summary of the Company's fixed stock option plan is as follows:

Fixed Options	Shares 2000	Weighted-Average Price 2000	Shares 1999	Weighted-Average Price 1999
Balance at beginning of year	931,541	$ 11.97	751,141	$ 11.91
Granted	125,000	8.27	265,000	12.14
Exercised	(32,400)	9.59	(31,800)	9.68
Terminated	(126,000)	13.12	(52,800)	13.35
Balance at end of year	898,141	$ 11.38	931,541	$ 11.97
Options exercisable at end of year	457,741	$ 11.35	418,541	$ 10.99

Options outstanding at December 31, 2000 consist of the following:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 7.75	105,000	10.0 years	$ 7.75	–	$ 7.75
9.125	60,000	4.0 years	9.125	60,000	9.125
9.30	70,000	9.0 years	9.30	14,000	9.30
10.00 – 11.375	227,141	3.1 years	10.14	207,141	10.06
12.25 – 12.70	175,000	8.0 years	12.64	65,000	12.67
13.00	75,000	6.0 years	13.00	60,000	13.00
13.25 – 13.40	150,000	8.2 years	13.30	30,000	13.30
20.00	36,000	6.9 years	20.00	21,600	20.00
	898,141			457,741	

Key Employee Share Trust

In 1993 the Company issued 253,271 common shares for $0.01 consideration to the Key Employee Share Trust (the "Trust"). The Trust issued options to acquire the shares owned by it for nominal consideration to certain directors, officers, and key employees of the Company and its affiliates on substantially the same terms and conditions as the options granted by the Company under the Stock Option Plan. Options to acquire three common shares from the Trust were issued for every seven options to buy common shares issued in May 1993.

A summary of the Key Employee Share Trust is as follows:

	2000	1999
Balance at beginning of year	88,518	93,918
Exercised	3,600	5,400
Balance at end of year	84,918	88,518

All options to acquire the shares held by the Trust have a purchase price of $0.01 and expire in May 2003. At December 31, 2000, all options on the Trust shares are exercisable.

DECEMBER 31, 2000 AND 1999 (columnar amounts in thousands of dollars)

9. EMPLOYEE FUTURE BENEFITS

The Company has a number of defined benefit and defined contribution plans providing pension benefits to most of its employees. The Company has no benefit plans other than pension plans.

DEFINED CONTRIBUTION PLANS

The total expense for the Company's defined contribution plans is as follows:

	2000	1999
Plans providing pension benefits	$ 118	$ 92

DEFINED BENEFIT PLANS

Information about the Company's defined benefit plans, in aggregate, is as follows.

	2000	1999
Plan Assets		
Market value at beginning of year	$ 20,098	$ 17,500
Actual return on plan assets	67	2,254
Employer contributions	1,592	405
Employee contributions	422	400
Benefits paid	(390)	(461)
Market value at end of year	$ 21,789	$ 20,098
Accrued benefit obligation		
Beginning of year	$ 21,849	$ 18,661
Current service cost	1,662	1,517
Interest cost	1,513	1,404
Benefits paid	(390)	(461)
Benefit improvements	-	728
Accrued benefit obligation at end of year	$ 24,634	$ 21,849
Funded Status		
Plan deficit	$ 2,845	$ 1,751
Unamortized net actuarial loss	(1,507)	-
Unamortized transitional obligation	219	228
Accrued benefit liability net of allowance	$ 1,557	$ 1,979
Benefit plan expense		
Current service cost, net of employee contributions	$ 1,240	$ 1,117
Interest cost	1,513	991
Expected return on plan assets	(1,574)	(943)
Amortization of net actuarial loss	-	(36)
Amortization of transitional obligation	(10)	38
Net benefit plan expense	$ 1,169	$ 1,167

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows: (weighted average assumptions as at December 31)

	2000	1999
Discount rate	7.0%	8.0%
Expected long-term rate of return on plan assets	8.0%	8.5%
Rate of compensation increase	4.0%	5.0%

10. COMMITMENTS

At December 31, 2000, the Company has commitments for major capital expenditures under purchase orders and contracts amounting to approximately $6,000,000.

Minimum lease payments under various operating lease commitments are as follows:

2001	$ 1,259
2002	1,146
2003	980
2004	557
2005	428
Thereafter	2,649
	$ 7,019

11. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and short-term obligations approximate their respective fair values because of the near-term maturity of these instruments. The estimated fair values of the long-term debt, forward currency exchange and interest rate swap contracts are based on public trading values where available, or where not available, with reference to values for similarly traded instruments with similar features.

The carrying amounts of long-term debt at December 31, 2000 and 1999 were $48,866,000 and $79,408,000 respectively, with comparable fair values of $48,908,000 and $78,902,000.

CURRENCY RISK

In conducting its business, the Company uses forward currency exchange contracts to manage the risks arising from fluctuations in exchange rates. All such instruments are used for risk management purposes only and are not held for trading purposes. The use of these financial instruments is approved and monitored by the Company's Board of Directors.

At December 31, the Company had outstanding forward currency exchange contracts as follows (amounts in thousands):

	Contract Expiry	Aggregate Contract Amount		Gain (loss) on Contracts	
		2000	1999	2000	1999
Sell US$ for Cdn$	2001-2004	US$ 133,000	US$ 95,000	$ (3,282)	$ 3,520
Purchase DM for Cdn$	2001	DM 616	–	7	–
Sell US$ for UK£	2001	US$ 1,500	–	61	–
Sell DM for UK£	2001	DM 1,500	–	1	–

The amounts included under the Gain (loss) on Contracts heading represent the gain (loss) had the contracts been closed out on December 31.

CREDIT RISK

The Company's exposure to credit risk, principally credit risk from customers, is equal to the carrying amounts of its financial assets. In 2000 and 1999, sales to the Company's largest customer amounted to $76,554,000 and $87,260,000, respectively. The Company is also exposed to credit related losses in the event of nonperformance by the counterparties to its forward currency exchange and interest rate swap contracts, but does not anticipate such nonperformance. The risk of significant credit loss is considered remote.

INTEREST RATE RISK

The Company's exposure to interest rate risk relates to its floating rate long-term debt, which includes the variable interest term debt and the revolving credit facility. The Company utilizes interest rate swaps to reduce risk associated with a portion of the variable interest term debt. As at December 31, 2000 and 1999 the Company had $13,500,000 of interest rate swaps with a rate fixed of 7.08% plus financing spread of 2% (1999 – 7.08% plus 2.25%) which expire $6,750,000 July 22, 2001 and $6,750,000 July 22, 2003. If the interest rate swap contracts had been closed out on December 31, 2000, the Company would have been required to make a payment of $360,000 (1999 – $346,000). At December 31, 2000, the increase or decrease in annual interest costs on the variable interest term debt not covered by interest rate swaps amounts to $258,000 (1999 - $457,000) for each one percent change in interest rates.

DECEMBER 31, 2000 AND 1999 (columnar amounts in thousands of dollars)

12. TRANSACTIONS WITH RELATED PARTIES

At December 31, 2000 and 1999, the Company's parent, The Stackpole Corporation, owned approximately 57% of the outstanding common shares of the Company. The Company purchased services from its parent amounting to $534,000 in 2000 (1999 - $724,000). These transactions are in the normal course of business and are valued at a fair market price. The Company had a net balance due to its parent of $99,000 and $145,000 at December 31, 2000 and 1999, respectively.

13. SEGMENTED INFORMATION

The Company operates in one industry segment, the automobile powertrain business, designing and manufacturing parts and assemblies primarily for the automotive manufacturers or their Tier 1 powertrain component manufacturers. The determination of operating segments has been made on the same basis as management measures performance and makes decisions on the allocation of resources. The Company has five operating segments and, as they meet the aggregation criteria, the Company has only one reporting segment.

Certain information with respect to geographic segments follows:

	2000		
	Canada	United Kingdom	Total
Sales	$ 235,291	$ 18,284	$ 253,575
Income (loss) before interest and taxes	27,240	(451)	26,789
Capital assets	139,418	11,534	150,952

	1999		
	Canada	United Kingdom	Total
Sales	$ 215,282	$ 17,661	$ 232,943
Loss before interest and taxes	(58)	(105)	(163)
Capital assets	145,456	13,520	158,976

Intercompany sales between geographic segments are generally priced to recover cost plus an appropriate markup. Intercompany sales of $8,678,000 in 2000 and $8,256,000 in 1999 (principally from the United Kingdom to Canada) have been excluded from the above figures. Canadian sales include export sales of $187,076,000 and $169,098,000 in 2000 and 1999, respectively, all of which were to the United States and Mexico. United Kingdom sales include export sales of $13,802,000 in 2000 and $12,307,000 in 1999.

Sales to the automotive industry were $242,847,000 in 2000 and $227,113,000 in 1999. For 2000, sales to the Company's four largest customers amounted to 30%, 20%, 18% and 17% of total sales (1999 – 37%, 17%, 16% and 13%).

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

SUMMARY OF QUARTERLY DATA (Unaudited)

(thousands of dollars except per share amounts)

2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	$ 70,086	$ 67,906	$ 60,178	$ 55,405	$ 253,575
Income before interest and taxes	6,473	6,889	8,180	5,247	26,789
Net income	3,074	3,306	5,404	2,668	14,452
Earnings per share	$ 0.32	$ 0.34	$ 0.56	$ 0.28	$ 1.50
Common share trading range					
High	$ 11.00	$ 10.45	$ 13.00	$ 13.00	$ 13.00
Low	$ 7.00	$ 8.05	$ 8.75	$ 6.75	$ 6.75

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	$ 51,066	$ 56,411	$ 63,600	$ 61,866	$ 232,943
(Loss) income before interest and taxes	(201)	2,925	3,519	(6,406)	(163)
Net (loss) income	(801)	995	1,313	(7,194)	(5,687)
(Loss) earnings per share	$ (0.08)	$ 0.10	$ 0.14	$ (0.75)	$ (0.59)
Common share trading range					
High	$ 15.00	$ 13.00	$ 15.00	$ 12.00	$ 15.00
Low	$ 10.00	$ 9.75	$ 11.15	$ 9.00	$ 9.00

TEN YEAR FINANCIAL SUMMARY

(thousands of dollars except per share amounts)

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Operations Data										
Sales	$ 253,575	$232,943	$182,891	$164,721	$138,590	$128,051	$106,819	$ 79,435	$ 52,935	$ 43,756
R&D, gross	9,026	8,224	7,432	6,743	5,237	4,939	4,400	4,041	2,117	1,815
Income before interest, taxes restructuring and other charges	23,255	(163)	9,082	16,440	14,274	14,013	10,232	9,069	6,411	5,918
Income (loss) from continuing operations	14,452	(5,687)	3,528	8,766	7,502	8,003	6,101	5,689	3,853	3,886
Income (loss) from discontinued operations	–	–	–	–	–	–	–	–	–	4,993
Net income (loss)	14,452	(5,687)	3,528	8,766	7,502	8,003	6,101	5,689	3,853	8,879
Capital expenditures	13,801	34,670	39,670	38,050	22,466	30,350	23,458	16,316	5,316	10,108
Cash flows from operating activities	44,335	24,615	23,421	22,227	16,436	12,736	11,747	10,218	4,108	2,943
Financial Position										
Working Capital	$ 23,031	$ 18,011	$ 7,417	$ 12,523	$ 16,249	$ 18,450	$ 17,605	$ 26,872	$ 8,551	$ 6,340
Property, plant and equipment, at cost	249,832	237,371	209,122	169,926	147,558	126,277	97,048	72,343	45,976	42,892
Total assets	204,526	223,864	210,530	178,877	160,912	139,823	112,876	96,904	55,081	53,395
Long-term debt	48,866	79,408	58,853	42,508	37,676	25,416	20,576	18,834	–	–
Shareholders' equity	115,159	101,040	108,774	102,784	92,934	82,489	65,249	57,596	41,787	37,934
Key Ratios										
R&D % of sales	3.6%	3.5%	4.1%	4.1%	3.8%	3.9%	4.1%	5.1%	4.0%	4.1%
Margin before interest, taxes restructuring and other charges	9.2%	5.0%	5.0%	10.0%	10.3%	10.9%	9.6%	11.4%	12.1%	13.5%
Net income % of sales	5.7%	(2.4)%	1.9%	5.3%	5.4%	6.2%	5.7%	7.2%	7.3%	20.3%
Return on equity	13.4%	(5.4)%	3.3%	9.0%	8.6%	10.8%	9.9%	11.4%	9.7%	21.9%
Current ratio	1.80	1.42	1.18	1.44	1.59	1.77	1.90	2.90	2.14	1.65
Data per Share *										
Net income	$ 1.50	$ (0.59)	$ 0.37	$ 0.93	$ 0.81	$ 0.95	$ 0.75	$ 0.78	$ 0.64	$ 1.48
Operating cash flows	4.62	2.57	2.47	2.36	1.77	1.51	1.43	1.40	0.68	0.49
Shareholders' equity	11.96	10.53	11.37	10.87	9.92	8.96	7.97	7.03	6.96	6.32

*Per share amounts are calculated as if the share subdivision which occurred in 1993 actually took place at January 1, 1991.

BOARD OF DIRECTORS

Lyle G. Hall [2,3,4]
Chairman of the Board,
The Stackpole Corporation

Richard W. LeVan [1,2,3,4]
Chairman, Wescast Industries Ltd.

Robert J. Lander [2,3,4]
President and Chief Executive Officer
Stackpole Limited

J. S. Parkhill [2,3,4]
Chairman of the Board, Stackpole Limited

Larry J. Pearson
Corporate Director
(Appointed to the Board March 8, 2001)

Darroch A. Robertson
Associate Professor, Richard Ivey School of Business
(Appointed to the Board March 8, 2001)

David G. Vice [1,2,4]
Corporate Director

1 Member, Audit Committee and Corporate Governance Committee
2 Member, Compensation and Development Committee
3 Member, Executive Committee
4 Member, Nominating Committee

SENIOR MANAGEMENT TEAM

CORPORATE

Ronald J. Duke
Vice President, Sales

Peter K. Jones
Vice President, Technology

Robert J. Lander
President and Chief Executive Officer

Gary S. Love
Vice President, Finance, Chief Financial Officer, Secretary and Treasurer

OPERATIONS

L. Douglas Asbridge
General Manager,
Carrier Systems Division

Eric R. Cozens
General Manager,
Engineered Products Division

David C. Elliott
General Manager,
Automotive Gear Division

James M. Stewart
General Manager,
Pump Components Division

Bryan L. Williams
Managing Director,
FormFlo Limited

STACKPOLE LIMITED

Stackpole Limited was incorporated under the laws of the province of Ontario on November 10, 1952. Upon the completion of an initial public offering in May 1993, Stackpole Limited became a publicly traded Company.

LISTING OF CAPITAL STOCK

The common shares of the Company are listed on The Toronto Stock Exchange under the stock symbol "SKD".

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc.

AUDITORS

The shareholders' auditors are Deloitte & Touche LLP, Toronto, Canada.

FINANCIAL CALENDAR 2001

Fiscal year end:	December 31
Interim Reports mailed:	Q1 – May Q2 - August Q3 - November

ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders will be held at 11:30 a.m., Thursday, May 10, 2001 in the Main Dining Room of The Ontario Club, Commerce Court South, Toronto, Ontario, M5L 1A1.

SHAREHOLDER ACCOUNT INFORMATION

Shareholders seeking assistance or information concerning their accounts may contact Computershare as follows:

Telephone: 1-800-663-9097
Website: www.computershare.com
E-mail: caregistryinfo@computershare.com

ANNUAL INFORMATION FORM

A copy of the Stackpole Limited Annual Information Form is available from the Secretary of the Company upon request at:

2381 Bristol Circle
Suite B-203
Oakville, Ontario
L6H 5S9

INVESTOR INFORMATION

Shareholders seeking assistance or information about the Company are invited to contact Gary S. Love, Vice President, Finance, Chief Financial Officer, Secretary and Treasurer, at:

2381 Bristol Circle
Suite B-203
Oakville, Ontario
L6H 5S9

Telephone: (905) 829-2050
Facsimile: (905) 829-0438

Web site: www.stackpole.on.ca

E-MAIL

Secretary: glove@stackpole.on.ca

CORPORATE DIRECTORY

CORPORATE OFFICE

Stackpole Limited
2381 Bristol Circle
Suite B-203
Oakville, Ontario L6H 5S9

Telephone (905) 829-2050
Facsimile (905) 829-0438

MANUFACTURING FACILITIES

Canada

Pump Components Division
550 Evans Avenue
Toronto, Ontario M8W 2V6

Telephone (416) 252-9411
Facsimile (416) 252-9996

Automotive Gear Division
2430 Royal Windsor Drive
Mississauga, Ontario L5J 1K7

Telephone (905) 822-6015
Facsimile: (905) 822-9556

Carrier Systems Division
128 Monteith Avenue
P.O. Box 572
Stratford, Ontario N5A 6T7

Telephone (519) 271-6060
Facsimile (519) 271-7560

Engineered Products Division
2400 Royal Windsor Drive
Mississauga, Ontario L5J 1K7

Telephone (905) 403-0550
Facsimile (905) 403-0557

United Kingdom

FormFlo Limited
Unit 5 Lansdown Industrial Estate
Gloucester Road
Cheltenham, Gloucestershire UK
GL51 8PW

Telephone (44) 1 242 531 100
Facsimile (44) 1 242 221 002

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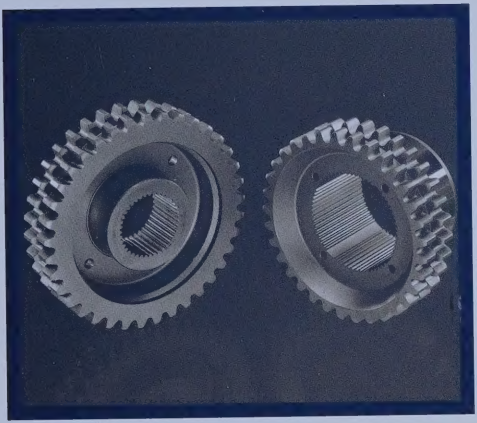
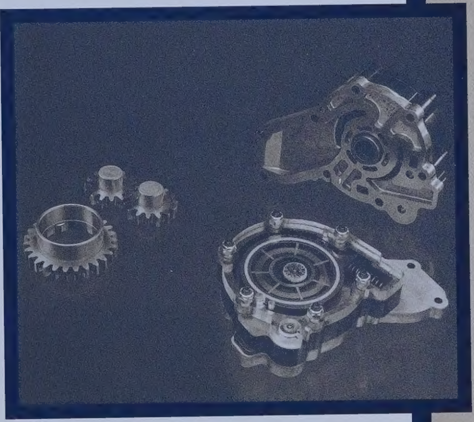
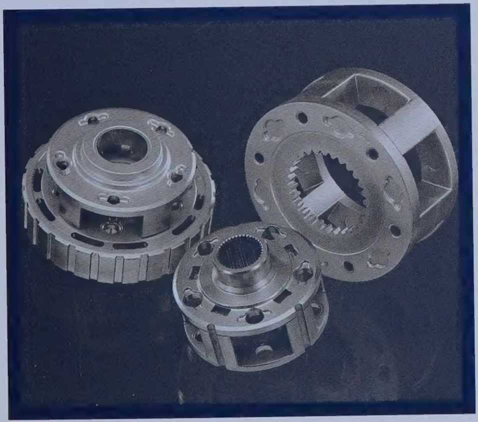
TRANSMISSION SPROCKETS



OIL PUMP SYSTEMS



PLANETARY GEAR CARRIERS



SYNCHRONIZER SYSTEMS